

CASS COUNTY ENVIRONMENTAL CONTROL AGENCY

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

JUNE 30, 2013 AND 2012

Cass County Environmental Control Agency

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Financial Statements	<u>Exhibit</u>
Statements of Net Position	A 5
Statements of Revenues, Expenses and Changes in Net Position	B 6
Statements of Cash Flows	C 7
Notes to Financial Statements	9
Comments and Recommendations	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	24
Schedule of Findings	26

Cass County Environmental Control Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Raymond Zellmer	Chairperson	City of Wiota
Duane McFadden	Vice Chairperson	Cass County
Frank Waters	Member	Cass County
Dennis Zimmerman	Member	City of Anita
Ashley Hayes	Member	City of Atlantic
Kathy Somers	Member	City of Atlantic
Dave Meyer	Member	City of Cumberland
Lisa Cook	Member	City of Griswold
Matt Klein	Member	City of Lewis
Lanny Kite	Member	City of Marne
Shirley Eshelman	Member	City of Massena
Wendy Wittrock	Manager, Secretary-Treasurer	

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Cass County
Environmental Control Agency

Report on the Financial Statements

We have audited the accompanying statements of net position of Cass County Environmental Control Agency as of June 30, 2013 and 2012 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Members of the Cass County
Environmental Control Agency

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Modified Opinion

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the Agency's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note 13).

Modified Opinion

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy referred to in the previous paragraph, the financial statements referred to above present fairly in all material respects, the financial position of Cass County Environmental Control Agency as of June 30, 2013 and 2012 and the results of its operations, changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 4 through 4c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2013 on our consideration of Cass County Environmental Control Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Brumwell, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
September 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Cass County Environmental Control Agency (Agency) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenue increased 1.7%, or \$ 14,570 from fiscal year 2012 to fiscal 2013.
- The Agency's operating expenses were 5.1%, or \$ 50,885 lower in fiscal year 2013 than in fiscal 2012.
- The Agency's net position decreased \$ 92,512 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Cass County Environmental Control Agency's accounts are organized as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Agency presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenue and expenses, nonoperating revenue and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

Net position may serve over time as a useful indicator of the Agency's financial position. A summary of the Agency's net position at June 30, 2013 and 2012 is presented below.

	<u>2013</u>	<u>2012</u>
Current assets.....	\$ 116,109	\$ 102,159
Noncurrent restricted assets.....	172,584	150,029
Capital assets.....	2,323,258	2,594,696
Intangible assets.....	<u>16,522</u>	<u>43,442</u>
Total Assets	2,628,473	2,890,326
Current liabilities.....	267,480	288,390
Noncurrent liabilities.....	<u>1,760,543</u>	<u>1,908,974</u>
Total Liabilities	2,028,023	2,197,364
Net Position		
Invested in capital assets.....	1,506,726	1,601,749
Restricted / Unrestricted.....	<u>(906,276)</u>	<u>(908,787)</u>
Total Net Position	<u>\$ 600,450</u>	<u>\$ 692,962</u>

A portion of the Agency's 2013 net position are restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of 30 years after closure.

Statement of Revenue, Expenses and Changes in Net Position

Operating revenue is received for fees from accepting solid waste from the residents and businesses of the county. Operating expenses are expenses paid to operate the landfill. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. Non-operating revenue and expenses include interest income and changes in the fair value of investments. A summary of revenue, expenses and changes in net position for the years ended June 30, 2013 and 2012 is presented below:

	<u>2013</u>	<u>2012</u>
Operating revenue.....	\$ 881,582	\$ 867,012
Operating expenses.....	<u>941,864</u>	<u>992,749</u>
Operating Loss.....	(60,282)	(125,737)
Net nonoperating revenue (expense).....	<u>(32,230)</u>	<u>(29,481)</u>
Change in Net Position.....	(92,512)	(155,218)
Net Position – Beginning of Year.....	<u>692,962</u>	<u>848,180</u>
Net Position – End of Year.....	<u>\$ 600,450</u>	<u>\$ 692,962</u>

In fiscal 2013, operating revenue increased by \$ 14,570, primarily a result of the increased tonnage disposed of in the landfill. Operating expenses decreased by \$ 50,885, primarily as a result of the closure/post closure care costs calculation.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities in fiscal 2013 includes landfill fees and recycling revenues reduced by payments to employees and to suppliers. Cash used in capital and related financing activities in fiscal year 2013 includes the purchase of capital assets, and proceeds and payments on long term debt.

CAPITAL ASSETS

At June 30, 2013 the Agency had approximately \$ 2,323,258 invested in capital assets.

ECONOMIC FACTORS

The Agency's primary source of revenue is landfill tipping fees. Landfill tipping fees were at \$90.00 per ton in FY 2013. Operating expenditures in FY 2014 are expected to remain about the same as expenditures for fiscal year 2013.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cass County Environmental Control Agency, 65928 Jackson Road, Atlantic, Iowa 50022.

Cass County Environmental Control Agency

Statements of Net Position

June 30,

	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash	\$ 26,870	\$ 20,674
Accounts receivable	71,050	59,065
Prepaid insurance	<u>18,189</u>	<u>22,420</u>
Total current assets	116,109	102,159
Noncurrent assets:		
Restricted assets:		
Cash	165,296	141,396
Cash held in escrow by Cass County	<u>7,288</u>	<u>8,633</u>
	172,584	150,029
Capital assets:		
Non-depreciable capital assets	680,000	680,000
Depreciable capital assets, net	<u>1,643,258</u>	<u>1,914,696</u>
	2,323,258	2,594,696
Intangible assets, net	<u>16,522</u>	<u>43,442</u>
 Total assets	 <u>\$ 2,628,473</u>	 <u>\$ 2,890,326</u>

The accompanying notes are an integral part of these statements.

	<u>2013</u>	<u>2012</u>
Liabilities and Net Position		
Current liabilities:		
Line of credit	\$ 20,000	\$ 20,000
Current maturities of capital leases	69,350	88,391
Current maturities of notes payable	116,861	128,324
Current portion of estimated liability for landfill closure and postclosure care costs	22,700	22,800
Accounts payable, trade	18,214	8,222
Salaries and benefits payable	2,649	2,565
Due to other governments	5,082	5,009
Accrued interest payable	1,235	2,364
Compensated absences	<u>11,389</u>	<u>10,715</u>
Total current liabilities	267,480	288,390
Non-current liabilities:		
Capital leases, less current maturities	49,076	118,425
Notes payable, less current maturities	597,767	701,249
Estimated liability for landfill closure and postclosure care costs, less current portion	<u>1,113,700</u>	<u>1,089,300</u>
Total non-current liabilities	<u>1,760,543</u>	<u>1,908,974</u>
Total liabilities	2,028,023	2,197,364
Net position:		
Invested in capital assets, net of related debt	1,506,726	1,601,749
Restricted for:		
Tonnage fees retained	11,039	12,330
Closure and postclosure care	161,545	137,699
Unrestricted	<u>(1,078,860)</u>	<u>(1,058,816)</u>
Total net position	<u>600,450</u>	<u>692,962</u>
Total liabilities and net position	<u>\$ 2,628,473</u>	<u>\$ 2,890,326</u>

Cass County Environmental Control Agency
 Statements of Revenues, Expenses and Changes in Net Position
 Year ended June 30,

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Solid waste fees	\$ 808,074	\$ 769,197
Recyclables	62,703	95,741
Other	<u>10,805</u>	<u>2,074</u>
Total operating revenues	881,582	867,012
Operating expenses:		
Administration	78,922	58,615
Engineering	36,444	33,122
Recycling expenses	125,597	126,278
Cover, compacting and scale expenses	156,881	157,096
Equipment	96,238	93,168
Mandated changes	16,545	13,430
Buildings and grounds	347,647	329,688
Closure and postclosure care costs	24,300	128,107
Tonnage fees to Iowa Department of Natural Resources	18,168	19,142
Employee benefits	<u>41,122</u>	<u>34,103</u>
Total operating expenses	941,864	992,749
Operating loss	(60,282)	(125,737)
Non-operating revenues (expenses):		
Grant revenue	10,173	2,250
Interest income	177	182
Interest expense	(42,580)	(31,913)
Non-operating revenues (expenses), net	<u>(32,230)</u>	<u>(29,481)</u>
Change in net position	(92,512)	(155,218)
Net position beginning of year	<u>692,962</u>	<u>848,180</u>
Net position end of year	<u>\$ 600,450</u>	<u>\$ 692,962</u>

The accompanying notes are an integral part of these statements.

Cass County Environmental Control Agency

Statements of Cash Flows

Year ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from solid waste fees	\$ 796,089	\$ 790,448
Cash received from recyclables	62,703	95,741
Cash received from other revenue	10,805	2,074
Cash payments to suppliers for goods and services	(392,826)	(370,678)
Cash payments to employees for services	(196,826)	(192,401)
Net cash provided by operating activities	<u>279,945</u>	<u>325,184</u>
Cash flows from noncapital related financing activities:		
Proceeds on line of credit, net	--	5,000
Interest payments on line of credit	(284)	(284)
Fee paid on line of credit	(3,125)	(2,400)
Net cash provided by (used in) noncapital related financing activities	<u>(3,409)</u>	<u>2,316</u>
Cash flows from capital and related financing activities:		
Cash received from grantor agency	10,173	2,250
Purchase of capital assets	(14,500)	(603,548)
Proceeds on note payable	26,428	542,580
Principal payments on capital leases	(88,390)	(71,490)
Principal payments on notes payable	(141,373)	(160,688)
Interest payments on long-term debt	(40,300)	(28,563)
Net cash used in capital and related financing activities	<u>(247,962)</u>	<u>(319,459)</u>
Cash flows from investing activities:		
Interest received	<u>177</u>	<u>182</u>
Net increase in cash and cash equivalents	28,751	8,223
Cash and cash equivalents at beginning of year	<u>170,703</u>	<u>162,480</u>
Cash and cash equivalents at end of year	<u>\$ 199,454</u>	<u>\$ 170,703</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash in current assets	\$ 26,870	\$ 20,674
Cash held in escrow in restricted assets	7,288	8,633
Cash in restricted assets	<u>165,296</u>	<u>141,396</u>
Total cash and cash equivalents	<u>\$ 199,454</u>	<u>\$ 170,703</u>

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Cass County Environmental Control Agency

Statements of Cash Flows - Continued

Year ended June 30,

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(60,282)	\$(125,737)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	285,938	262,625
Amortization	26,920	34,142
Closure and postclosure care costs	24,300	128,107
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,985)	21,251
(Increase) decrease in prepaid insurance	4,231	(852)
Increase in accounts payable, trade	9,992	4,618
Increase in salaries and benefits payable	84	433
Increase in due to other governments	73	332
Increase in compensated absences	674	265
Total adjustments	<u>340,227</u>	<u>450,921</u>
Net cash provided by operating activities	<u>\$ 279,945</u>	<u>\$ 325,184</u>

Non-Cash Transactions:

The Agency also recorded the following non-cash transaction in addition to the transactions reflected in the reconciliation of operating loss to net cash provided by operating activities.

	<u>2013</u>	<u>2012</u>
Purchase of equipment with capital lease	<u>\$ --</u>	<u>\$ 58,325</u>

The accompanying notes are an integral part of these statements.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cass County Environmental Control Agency was formed in 1971 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Cass County for use by all residents of the County.

The Agency is composed of one representative from each of the eight member cities, except that the City of Atlantic appoints one additional representative and two representatives from Cass County. The member cities are: Anita, Atlantic, Cumberland, Griswold, Lewis, Massena, Marne and Wota. The representative of a city is appointed by the political subdivision to be represented.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Cass County Environmental Control Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Cass County Environmental Control Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Cass County Environmental Control Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments, and Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Restricted Assets - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Accounts Receivable - Accounts receivable represent amounts that are due and payable from customers but have not been collected at June 30. Management of the Agency believes the receivables will be realized without material collection losses; therefore, no allowance for uncollectible accounts exists.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Capital assets are accounted for at historical cost. Capital assets with lives in excess of three years and cost in excess of \$500 are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50
Building improvements	20-50
Equipment and vehicles	3-20

Interest is capitalized on qualified assets. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no interest capitalized during the years ended June 30, 2013 and 2012.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013.

NOTE 2 - CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 2 - CASH AND INVESTMENTS - Continued

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement 40.

NOTE 3 - PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% (5.95% effective July 1, 2013) of their annual salary and the Agency is required to contribute 8.67% (8.93% effective July 1, 2013) of annual payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$17,065, \$15,527, and \$12,842, respectively, equal to the required contributions for each year.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 4 - CAPITAL ASSETS

A summary of capital assets at June 30, 2013 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land	\$ 680,000	\$ --	\$ --	\$ 680,000
Total capital assets not being depreciated	<u>680,000</u>	<u>--</u>	<u>--</u>	<u>680,000</u>
Capital assets being depreciated:				
Land improvements	1,203,074	--	--	1,203,074
Buildings	760,684	--	--	760,684
Equipment and vehicles	<u>1,321,147</u>	<u>14,500</u>	<u>--</u>	<u>1,335,647</u>
Total capital assets being depreciated	<u>3,284,905</u>	<u>14,500</u>	<u>--</u>	<u>3,299,405</u>
Less accumulated depreciation for:				
Land improvements	432,031	122,337	--	554,368
Buildings	217,047	29,554	--	246,601
Equipment and vehicles	<u>721,131</u>	<u>134,047</u>	<u>--</u>	<u>855,178</u>
Total accumulated depreciation	<u>1,370,209</u>	<u>285,938</u>	<u>--</u>	<u>1,656,147</u>
Total capital assets being depreciated, net	<u>1,914,696</u>	<u>(271,438)</u>	<u>--</u>	<u>1,643,258</u>
Total capital assets, net	<u>\$ 2,594,696</u>	<u>\$(271,438)</u>	<u>\$ --</u>	<u>\$ 2,323,258</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 4 - CAPITAL ASSETS - Continued

A summary of capital assets at June 30, 2012 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land	\$ 680,000	\$ --	\$ --	\$ 680,000
Total capital assets not being depreciated	<u>680,000</u>	<u>--</u>	<u>--</u>	<u>680,000</u>
Capital assets being depreciated:				
Land improvements	647,252	555,822	--	1,203,074
Buildings	760,684	--	--	760,684
Equipment and vehicles	<u>1,242,187</u>	<u>78,960</u>	<u>--</u>	<u>1,321,147</u>
Total capital assets being depreciated	<u>2,650,123</u>	<u>634,782</u>	<u>--</u>	<u>3,284,905</u>
Less accumulated depreciation for:				
Land improvements	334,143	97,888	--	432,031
Buildings	185,577	31,470	--	217,047
Equipment and vehicles	<u>587,864</u>	<u>133,267</u>	<u>--</u>	<u>721,131</u>
Total accumulated depreciation	<u>1,107,584</u>	<u>262,625</u>	<u>--</u>	<u>1,370,209</u>
Total capital assets being depreciated, net	<u>1,542,539</u>	<u>372,157</u>	<u>--</u>	<u>1,914,696</u>
Total capital assets, net	<u>\$ 2,222,539</u>	<u>\$ 372,157</u>	<u>\$ --</u>	<u>\$ 2,594,696</u>

Equipment costing \$345,239 (\$436,687 in 2012) has been purchased under capital lease agreements. Accumulated depreciation on this equipment totals \$149,972 (\$147,078 in 2012), including \$47,529 (\$55,733 in 2012) of depreciation for the year ended June 30, 2013.

NOTE 5 - INTANGIBLE ASSETS

The Agency did not incur any expenses for landfill design and groundwater assessment projects during the year ended June 30, 2013. The total cost of the projects was \$379,496 and is being amortized over a period of five years.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 5 - INTANGIBLE ASSETS - Continued

A summary of the intangible assets at June 30, 2013 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Intangible assets	\$ 379,496	\$ --	\$ --	\$ 379,496
Accumulated amortization	<u>336,054</u>	<u>26,920</u>	<u>--</u>	<u>362,974</u>
Intangible assets, net	<u>\$ 43,442</u>	<u>\$ (26,920)</u>	<u>\$ --</u>	<u>\$ 16,522</u>

A summary of the intangible assets at June 30, 2012 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Intangible assets	\$ 379,496	\$ --	\$ --	\$ 379,496
Accumulated amortization	<u>301,912</u>	<u>34,142</u>	<u>--</u>	<u>336,054</u>
Intangible assets, net	<u>\$ 77,584</u>	<u>\$ (34,142)</u>	<u>\$ --</u>	<u>\$ 43,442</u>

NOTE 6 - LINE OF CREDIT

The Agency entered into a line of credit agreement in the amount of \$100,000 bearing an interest rate of 4% due May 1, 2014. The primary purpose of the line of credit is to provide operating funds. As of June 30, 2013, the outstanding balance on the line of credit was \$20,000 (\$20,000 as of June 30, 2012).

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 7 - NON-CURRENT LIABILITIES

A schedule of changes in the Agency's non-current liabilities for the year ended June 30, 2013 and 2012 follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2013</u>	<u>Current Portion</u>
Note Payable, 2007	\$ 276,063	\$ --	\$ 51,166	\$ 224,897	\$ 53,477
Note Payable, 2010	18,379	--	18,379	--	--
Note Payable, March, 2012	17,640	--	17,640	--	--
Note Payable, May, 2012	517,491	--	50,520	466,971	52,134
Note Payable, March, 2013	--	26,428	3,668	22,760	11,250
	<u>829,573</u>	<u>26,428</u>	<u>141,373</u>	<u>714,628</u>	<u>116,861</u>
Capital Lease Obligations:					
Cornhusker International	21,963	--	21,963	--	--
Caterpillar	126,528	--	52,824	73,704	55,115
John Deere	58,325	--	13,603	44,722	14,235
	<u>206,816</u>	<u>--</u>	<u>88,390</u>	<u>118,426</u>	<u>69,350</u>
Estimated Liability for Landfill Closure and Postclosure Care Costs	<u>1,112,100</u>	<u>24,300</u>	<u>--</u>	<u>1,136,400</u>	<u>22,700</u>
Total Non-Current Liabilities	<u>\$2,148,489</u>	<u>\$ 50,728</u>	<u>\$ 229,763</u>	<u>\$1,969,454</u>	<u>\$ 208,911</u>
	<u>Balance 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2012</u>	<u>Current Portion</u>
Note Payable, 2003	\$ 70,961	\$ --	\$ 70,961	\$ --	\$ --
Note Payable, 2007	324,558	--	48,495	276,063	51,018
Note Payable, 2010	35,975	--	17,596	18,379	18,379
Note Payable, 2011	16,187	--	16,187	--	--
Note Payable, March, 2012	--	21,137	3,497	17,640	8,621
Note Payable, May, 2012	--	521,443	3,952	517,491	50,306
	<u>447,681</u>	<u>542,580</u>	<u>160,688</u>	<u>829,573</u>	<u>128,324</u>
Capital Lease Obligations:					
Cornhusker International	42,822	--	20,859	21,963	21,963
Caterpillar	177,159	--	50,631	126,528	52,825
John Deere	--	58,325	--	58,325	13,603
	<u>219,981</u>	<u>58,325</u>	<u>71,490</u>	<u>206,816</u>	<u>88,391</u>
Estimated Liability for Landfill Closure and Postclosure Care Costs	<u>983,993</u>	<u>128,107</u>	<u>--</u>	<u>1,112,100</u>	<u>22,800</u>
Total Non-Current Liabilities	<u>\$1,651,655</u>	<u>\$ 729,012</u>	<u>\$ 232,178</u>	<u>\$2,148,489</u>	<u>\$ 239,515</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 8 - CAPITAL LEASES

The Agency entered into a capital lease agreement with Cornhusker International on October 17, 2008 for a high pressure hooklift. The agreement required annual payments of \$23,124 made on the 17th of October for four years, including interest at 5.29%. The lease matured October, 2012.

The Agency entered into a capital lease agreement with Caterpillar on November 4, 2009 for a track loader. The agreement calls for monthly payments of \$4,765 for a period of 60 months at an approximate interest rate of 4.25%.

The Agency entered into a capital lease agreement with John Deere on December 9, 2011 for a tractor. The agreement requires annual payments of \$16,313 made on the 12th of December for four years including interest at 4.55%.

The following is a schedule by year of future minimum lease payments and present value of net minimum lease payments:

<u>Year Ending June 30,</u>	<u>Present Value of Net Minimum Lease Payments</u>	<u>Amount Representing Interest</u>	<u>Total Minimum Lease Payments</u>
2014	\$ 69,350	\$ 4,144	\$ 73,494
2015	33,486	1,580	35,066
2016	<u>15,590</u>	<u>723</u>	<u>16,313</u>
Totals	<u>\$ 118,426</u>	<u>\$ 6,447</u>	<u>\$ 124,873</u>

NOTE 9 - NOTES PAYABLE

The Agency entered into a mortgage note payable for \$500,000 on May 22, 2007 with a local bank to finance expansion and compliance with DNR regulations. The note requires monthly payments of \$5,250, including interest at 4.75% maturing on June 1, 2017.

The Agency entered into a note payable for \$35,975 on June 15, 2010 with a local bank to finance the purchase of equipment. The note required a lump sum payment due June 15, 2011, which was refinanced into a note requiring monthly payments of \$1,565, including interest at 4.0% that matured June, 2013. The note was collateralized by the equipment purchased.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 9 - NOTES PAYABLE - Continued

The Agency entered into a note payable for \$21,137 on March 6, 2012 with a local bank to finance the purchase of equipment and to refinance the May 4, 2011 note. The note required monthly payments of \$767, including interest at 4.25% maturing on July 1, 2014. The note was refinanced in March, 2013 as indicated in the following paragraph. The note is collateralized by the equipment purchased.

The Agency entered into a note payable for \$26,428 on March 4, 2013 with a local bank to finance the purchase of equipment and refinance the March, 2012 note payable. The note requires monthly payments of \$1,000, including interest at 4.25% maturing June 30, 2015. The note is collateralized by the equipment purchased.

The Agency entered into a mortgage payable for \$521,443 on May 7, 2012 with a local bank to finance expansion and compliance with DNR regulations. The note requires monthly payments of \$5,800, including interest at 3.9% maturing on April 1, 2021.

Scheduled principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 116,861	\$ 27,739	\$ 144,600
2015	121,787	22,813	144,600
2016	115,146	17,454	132,600
2017	115,151	12,114	127,265
2018	60,920	8,680	69,600
2019 - 2021	<u>184,763</u>	<u>11,054</u>	<u>195,817</u>
	<u>\$ 714,628</u>	<u>\$ 99,854</u>	<u>\$ 814,482</u>

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 10 - CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated at \$828,656 for closure and \$634,247 for postclosure, for a total of \$1,462,903 as of June 30, 2013, and the portion of the liability that has been recognized is \$1,136,400. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Subtitle D Cell (Phase 0) began accepting waste October 1, 2007 and has an estimated remaining life of .25 years. The Subtitle D Cell (Phase 1) began accepting waste June, 2009 and has an estimated remaining life of 1 year. The Subtitle D Cell (Phase 2) began accepting waste June, 2012 and has an estimated remaining life of 4 years.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2013, assets of \$161,545 are restricted for these purposes, of which \$79,451 is for closure and \$82,094 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statements of Net Position.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 10 - CLOSURE AND POSTCLOSURE CARE COSTS - Continued

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE 11 - SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2013, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$11,039 (\$12,330 as of June 30, 2012).

NOTE 12 - RISK MANAGEMENT

The Cass County Environmental Control Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 12 - RISK MANAGEMENT - Continued

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenses from its operating fund at the time of payment to the risk pool. The Agency's annual contributions to the Pool were \$24,252 and \$25,273 for the years ended June 30, 2013 and 2012, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 12 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with Workers' Compensation and Crime in the amount of \$1,000,000 and \$25,000, respectively. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Agency offers health insurance through Cass County to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all County employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are 5 active Agency employees and no retirees currently covered by the plan.

Funding Policy: The Agency does not set aside funds to pay for any OPEB liability. Any Agency costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the County considers any OPEB obligation, which may exist, to be immaterial. Therefore the County has elected to not obtain an actuarial evaluation of the OPEB liability. Therefore it is impossible for the Agency to determine its pro-rata share of any liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been modified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

Cass County Environmental Control Agency

Notes to Financial Statements

June 30, 2013 and 2012

NOTE 14 - CONTINGENCIES

Line of Credit

The Agency entered into a line of credit agreement in the amount of \$1,500,000 bearing an interest rate of 5%, due April 1, 2014. The primary purpose of the line of credit is to show the Agency can demonstrate financial assurance for closure and postclosure care costs. As of June 30, 2013, the outstanding balance on the line of credit was \$ - 0 - .

Subsequent Events

The Agency has evaluated all subsequent events through September 3, 2013, the date the financial statements were available to be issued.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Cass County
Environmental Control Agency
Atlantic, Iowa

We have audited the accompanying financial statements of Cass County Environmental Control Agency as of and for the year ended June 30, 2013, and have issued our report thereon dated September 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cass County Environmental Control Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cass County Environmental Control Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cass County Environmental Control Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

To the Members of the Cass County
Environmental Control Agency

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 13-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Environmental Control Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

Cass County Environmental Control Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit Cass County Environmental Control Agency's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gmewold, Ben, Kyhn & Co. P. C.

Atlantic, Iowa
September 3, 2013

Cass County Environmental Control Agency

Schedule of Findings

Year ended June 30, 2013

PART I - INTERNAL CONTROL DEFICIENCIES

13-I-A Segregation of Duties: A limited number of people have the primary responsibility for many of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Agency. This is a common deficiency among small Organizations.

Recommendation: We recognize that it may not be economically feasible for the Agency to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Agency to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - INSTANCES OF NON-COMPLIANCE

No matters were reported.

* * *

PART III - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

13-III-A Questionable Expenses: No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

13-III-B Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

13-III-C Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

13-III-D Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

Cass County Environmental Control Agency

Schedule of Findings

Year ended June 30, 2013

PART III - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING -
Continued

13-III-E Solid Waste Tonnage Fees Retained: No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

13-III-F Financial Assurance: The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(b) of the Code of Iowa. The calculation is made as follows:

	<u>Closure</u>	<u>Open Cells</u>	<u>Postclosure Closed Cells</u>	<u>Total</u>
Total estimated costs for closure and postclosure care	\$ 828,656	\$ 100,508	\$ 533,739	\$ 634,247
Less: Balance of funds held in the local dedicated fund at June 30, 2012	<u>58,377</u> 770,279	<u>12,570</u> 87,938	<u>66,752</u> 466,987	<u>79,322</u> 554,925
Divided by the number of years remaining in the pay-in period	÷ 5.25	÷ 5.25	N/A	N/A
Required payment into the local dedicated fund for the year ended June 30, 2013	146,720	16,750	466,987	483,737
Balance of funds held in the local dedicated fund at June 30, 2012	<u>58,377</u>	<u>12,570</u>	<u>66,752</u>	<u>79,322</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2013	<u>\$ 205,097</u>	<u>\$ 29,320</u>	<u>\$ 533,739</u>	<u>\$ 563,059</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2013	<u>\$ 79,451</u>	<u>\$ 13,009</u>	<u>\$ 69,085</u>	<u>\$ 82,094</u>

The Agency uses the availability of a 5% \$1,500,000 line of credit to demonstrate the ability to meet the financial assurance requirements.

* * *

Cass County Environmental Control Agency

Schedule of Findings

Year ended June 30, 2013

PART IV - OTHER COMMENT

13-IV-A Non-budgeted Expenditures: It was noted during the audit that certain non-budgeted expenditures are not being recorded on the monthly budget expense report. However, these expenditures are reviewed monthly with other budgeted expenditures and approved by the Board.

Recommendation: We recommend all expenditures be recorded on the monthly budget expense report to properly report all expenditures incurred each month. This will provide better financial reporting of the Agency's operations.

Response: All expenditures are reviewed and approved by the Board.

Conclusion: Response accepted.

* * *